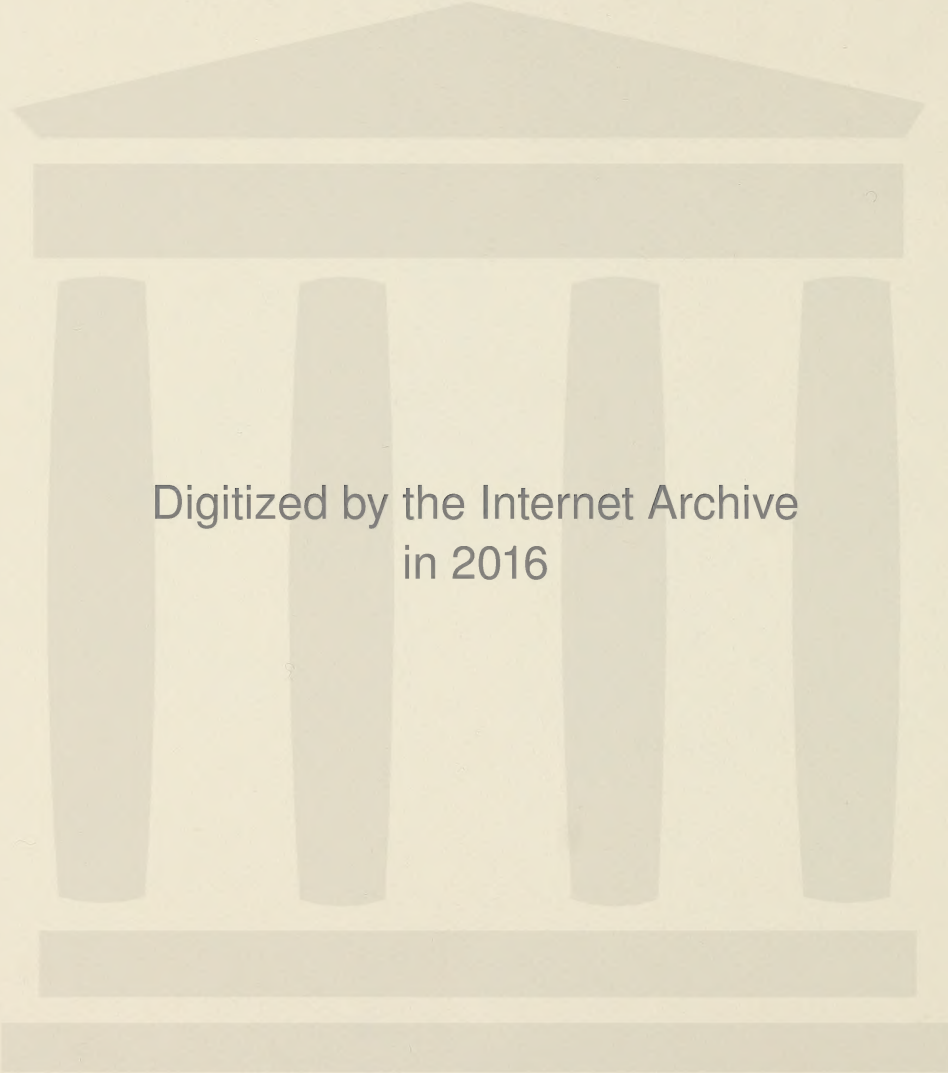


DEVELOPMENT AND ASSESSMENT OF A TRIAL COURSE ON SALES AND MARKETING CONCEPTS FOR TODAY'S BUILDER

Alberta

MUNICIPAL AFFAIRS
Innovative Housing Grants Program





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DEVELOPMENT AND ASSESSMENT OF A TRIAL COURSE ON
SALES AND MARKETING CONCEPTS
FOR TODAY'S BUILDER

JANUARY 1986

Prepared By:

THE ALBERTA HOME BUILDERS' ASSOCIATION

The views and conclusions expressed and the recommendations made in this report are entirely those of the authors and should not be construed as expressing the opinions of the Alberta Department of Housing.

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FOREWORD

The project documented in this report received funding under the Innovative Housing Grants Program of the Alberta Department of Housing. The Innovative Housing Grants Program is intended to encourage and assist housing research and development which will reduce housing costs, improve the quality and performance of dwelling units and subdivisions, or increase the long term viability and competitiveness of Alberta's housing industry.

The Program offers assistance to builders, developers, consulting firms, professionals, industry groups, building products manufacturers, municipal governments, educational institutions, non-profit groups and individuals. At this time, priority areas for investigation include building design, construction technology, energy conservation, site and subdivision design, site servicing technology, residential building product development or improvement and information technology.

As the type of project and level of resources vary from applicant to applicant, the resulting documents are also varied. Comments and suggestions on this report are welcome. Please send comments or requests for further information to:

Innovative Housing Grants Program
Alberta Department of Housing
10050 - 112 Street
Edmonton, Alberta
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On May 26, 1986, the Alberta Department of Housing was amalgamated with Alberta Municipal Affairs. Comments about this report or requests for further information should be sent to:

Innovative Housing Grants Program
Alberta Municipal Affairs
10050 - 112 Street
Edmonton, Alberta
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Telephone: (403) 427-8150

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The first half of the 1980's has been a very difficult environment in which Canadian business in general, and Alberta business specifically, has had to operate. This scenario is particularly true in the home building industry. It has not been only difficult times, but a complete restructuring of the industry as we knew it. The large "mega-builders" have virtually disappeared, and the industry is made up primarily of small local concerns.

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1.0 INTRODUCTION

The first half of the 1980's has seen a very difficult environment in which Canadian business in general, and Alberta business specifically, has had to operate. This scenario is particularly true in the home building industry, which has seen not only difficult times, but a complete restructuring of the industry as we knew it. The large "mega-builders" have virtually disappeared, and the industry is made up primarily of small local corporations and partnerships to provide Alberta's housing needs now and in the foreseeable future.

The Alberta Home Builders' Association (A.H.B.A.), the collective "voice" of the industry in the Province, has always assumed a leadership role in attempting to professionalize the industry - both externally, with governments, media and the public; and internally, with its own membership. Early in 1984, the Association recognized that along with the loss of the larger builders, there was also an equally important loss of professional training within the industry. The large builders were leaders in "in-house" training programs. This became very apparent when talking to members of the Association and realizing just what a large percentage of them were exposed, at one time or another, in their careers, to one or more of these in-house training programs.

It was determined by the executive of the Association that there was a perceived need within the industry for the Association to assume a much greater leadership role in fulfilling the educational needs of its members, by becoming the vehicle by which programs could be developed and implemented that were specific to the home building industry. The Department of Housing was subsequently approached by the A.H.B.A. and agreed to fund a project that would professionally assess the needs of the membership.

The Myers Consulting Group was hired to act as a consultant to the Association and they carried out an extensive survey of the membership. The results of the survey were documented in January, 1985 in a report entitled ALBERTA HOME BUILDERS' EDUCATIONAL NEEDS ASSESSMENT, and reinforce earlier conclusions that the Association must assume a leadership role in the development of further educational vehicles for its membership. A copy of the Executive Summary of the Myers report is included in Appendix 1 of this report.

The Myers survey showed that by far the strongest overall interest was shown in the area of sales and marketing. Specifically, 81.6% of those surveyed responded positively to the offering of a course in sales and 78.3% responded positively to a course in market intelligence.

With these results in hand, the Association approached the Department of Housing once again and was awarded a grant under the Innovative Housing Grants Program in July 1985 to develop, test and assess a course in sales and marketing, and, in addition, to develop methods for developing and delivering other courses. This work was viewed as the first stage of establishing an ongoing education program for Alberta builders. A contract between the Department and the Association was executed in July. Consultants for key elements of the work were selected in August and work started shortly thereafter.

The specific objectives of the work were as follows:

1. Develop an "industry-specific" sales and marketing program as opposed to the more general motivational type that are available from numerous sources today.
2. Test the course through a trial presentation and assess the results.

3. Develop a prototype methodology for development of the course material that could be effectively used for future topics.
4. Formulate a strategy for delivery of the course, and future courses, to the building industry across the Province of Alberta.

2.0 COURSE DEVELOPMENT AND IMPLEMENTATION

2.1 Schedule of Events and Key Participants

The main events in the development and implementation of the sales and marketing course were as follows:

July, 1985 - contracts were signed by the Association with the consultants for the project.

August, 1985 - a meeting was held of the Association resource group for the project to ensure it was headed in the right direction.

September, 1985 - an hour and one half presentation was made to the annual conference of the Alberta Home Builders' Association to obtain feedback on the proposed course content and method of delivery.

October, 1985 - a further meeting was held with the Association resource group to present a final course outline.

December 5th & 6th, 1985 - the first demonstration seminar was held in Edmonton, with attendance, on a fee basis, of eight participants from northern Alberta.

The Northern Alberta Institute of Technology (NAIT) was selected to be the consultant to develop the program on behalf of the Association. NAIT was selected primarily because of the specific expertise of the individual that would be working with the Association, Mr. Don Yurchuk. Mr. Yurchuk has an M.B.A. from the University of Alberta, and, at the time, was the Assistant Department Head of Marketing Management with the Business Management Division of NAIT. His past business experience includes marketing management with four major Alberta builders, Nu-West, Cairns, Qualico and Alldritt. This unique combination of formal education and industry-specific

experience proved to be invaluable in the preparation and presentation of the sales and marketing seminar.

Bill Briggs, the President of Alberta Western Homes (1985) Ltd., was hired by the Association to provide the liaison between the Association and NAIT, to organize the activities listed above in the development process and to author the final report to the Association and the Department of Housing.

The resource group that reviewed the material on behalf of the Association consisted of:

Mr. Ron Axelson, Executive Director, Alberta Home Builders' Association

Mr. Tom Knott, President, Calgary Home Builders' Association and Marketing Manager of Acacia Development Ltd. in Calgary

Mr. Al Watson, Past President of the Red Deer Home Builders' Association and President of Watson & Jacobs Homes in Red Deer

Mr. Don Yurchuk, consultant to the Association - NAIT

Mr. Bill Briggs, Chairman, Alberta Home Builders' Association and President of Alberta Western Homes (1985) Ltd.

2.2 Trial Seminar

The seminar that was eventually agreed upon and presented in the trial presentation in December, 1985, was presented in eight modules. These modules were developed in order to accommodate a flexible presentation schedule. It could be presented in two consecutive days with four 90 minute segments each day, eight evenings with one 90 minute segment each night, one night a week for eight weeks, or any other combination that seemed compatible with the group in attendance. The trial presentation was held from 9:00 a.m. to

4:00 p.m. on a Friday and 9:00 a.m. to 2:00 p.m. on a Saturday. All of the participants indicated that this schedule was ideal for them and recommended that the Friday/Saturday format be used again in the future.

The eight modules presented are listed below:

- Module one - OUTLINE AND PREVIEW
- Module two - MARKET RESEARCH
- Module three - MARKETING INTRODUCTION
- Module four - MARKETING: PRICING, PRODUCT AND LOCATION
- Module five - PROMOTION: ADVERTISING, PUBLIC RELATIONS AND PUBLICITY
- Module six - PERSONAL SALES SKILLS
- Module seven - PERSONAL SALES SKILLS - ROLE PLAY
- Module eight - FOLLOW UP AND CONCLUSION

A copy of the complete course outline is contained in Appendix 2 of this report.

The feedback from the participants in the trial presentation was very positive. They indicated that it was beneficial to them and that they could apply a number of subjects discussed in their own specific situations immediately.

As part of the consulting contract with the Northern Alberta Institute of Technology, Mr. Yurchuk, who developed the seminar material, acted as the instructor for the trial presentation. His unique combination of instructional ability and housing industry experience was ideal in presenting material of this type. It was apparent from observing the seminar presentation that the selection of future instructors will be critical to the success of the program. Mr. Yurchuk was able to draw upon personal experiences to embellish the

material and was able to effectively encourage interaction amongst the seminar participants. At the same time, however, it was likely just as important that he was not actively involved in the housing industry while he was working on the course. There was no reluctance on behalf of the builders to participate in the discussion and certainly no suggestion of being "preached to" by the competition in the marketplace.

3.0 CONCLUSIONS AND RECOMMENDATIONS

3.1 Course Development

The method used to develop the Sales and Marketing seminar proved to be very successful and, without question, could be used again to develop further industry-specific topics. The basic steps in this development procedure are as follows:

1. Identify a need.
2. Select a consultant to prepare and deliver a seminar package.
3. Association staff and the consultant prepare a basic outline of proposed seminar material.
4. Select a "resource group" from among the Association membership. This group would review the initial outline, make suggestions for changes, additions or improvements, and ensure that the material was satisfying the need that was identified earlier.
5. The consultant prepares the basic course material based on the information received from the resource group.
6. The resource group is presented with the full course material for approval or change as necessary.
7. A trial presentation of the material is made to evaluate the effectiveness of the material.
8. The material is packaged by the Alberta Association for presentation to the local associations.

Steps 5, 6 and 7 can be repeated as many times as necessary to satisfy the resource group.

The three most important steps in the above process that are essential to its success are:

- identifying the need - essential so that there is a market for the finished product;
- selection of the consultant - the most difficult and most important component; and
- selection of the resource group - essential to ensure that the package meets the need of the industry and that it is industry-specific in nature.

3.2 Course Delivery

It is intended that the Sales and Marketing course and any future courses that might be developed be delivered through the local Home Builders' Associations in the Province. The package has been developed by the Alberta Home Builders' Association and it is proposed that the two levels of the Association interact as follows in the delivery process:

1. The A.H.B.A. will package the seminar which will include the provision of a qualified instructor and all necessary course materials. It will offer a course for a fee to any local association in the Province that would like to participate. To date, all active local associations have indicated an interest in presenting the seminar.
2. The local association will promote the seminar, arrange for the physical facilities and any necessary meals, set course fees in respect of all costs, and accept registrations for the seminar.

By using this delivery method the Alberta Association is providing a service that has been identified as being critical to the industry and, at the same time, deriving some income from the program. The local association will be seen by the membership as providing a key service to members which is so critical to the ongoing success of the Association. They will

also be provided with the opportunity to derive some income from the seminars.

The role of each level of the Association is clearly spelled out, and will serve to promote further cooperation between them with the possibility of any conflict of interest being eliminated.

This, or future seminars, could also be offered through the local Association to individual companies upon request. A fee schedule for this service would have to be established but it would be an excellent method of solidifying membership relations for the Association.

3.3 Assessment and Future Plans

The development of the sales and marketing seminar has been a very successful start to an educational program for the Alberta Home Builders' Association. The program has met all of the objectives that it set out to achieve: an industry-specific program that was practical and immediately useful to a hands-on-builder, a prototypical method for developing course material that can be used effectively in the future, and a strategy for delivery of this and future courses within the Association.

The reaction of the participants in the trial presentation was excellent and has encouraged the Association to continue on with educational programs.

There is an opportunity for the Association to create a number of other courses specific to the home building industry, some of them in the sales and marketing area, others in many other areas. Some other suggestions have been:

- training for salespeople new to the industry: sales skills, product terminology, financing, etc.;
- sales and marketing training for trades and suppliers;
- the role of licensed realtors in the new home industry; and
- effective advertising.

If desired, the Association could create, over the next few years, a "bank" of courses and instructors that could be made available to the local associations on an ongoing basis. This would constitute a tangible benefit to members of the Association and serve to upgrade and professionalize the industry in general.

Educational upgrading has become a priority with business today and the training of the housing industry has the potential to become the major activity of the Association in the future.

ALBERTA HOME BUILDER
EDUCATIONAL NEEDS ASSESSMENT

EXECUTIVE SUMMARY

PROJECT FOR: ALBERTA HOME BUILDERS' ASSOCIATION

MYERS CONSULTING GROUP
JANUARY, 1985

I INTRODUCTION

This study was borne out of the very visual changes taking place in the housing industry over the past few years where large builders have disappeared, and the small builder is the norm; credibility and confidence are much shaken and the industry risks the loss of its entire infrastructure without decisive action.

In this light it was felt necessary to start rebuilding at the foundation level and to begin that process, assess "where we're at", and what builders identified as areas where specific knowledge would improve their business.

With assistance from the Provincial Government, this assessment was designed and implemented, and the results are here today.

The process has been as follows:

1. NOVEMBER, 1984 - Individual builder interviews in Edmonton, Red Deer, Calgary, Lethbridge and Medicine Hat.
2. NOVEMBER/DECEMBER, 1984 - QUESTIONNAIRE - from builder interviews, questionnaire designed, sent out, returned.
3. DECEMBER, 1984 - JANUARY, 1985 - Questionnaire results compiled and results drafted.
4. JANUARY, 1985 - Presentation of draft report for further input, checking and expansion of information towards an anticipated second phase of actually designing some builder programs.

II WHERE ARE WE NOW?

- * A YOUNG INDUSTRY - 48% - nearly half - haven't been in business for 5 years.
- * SMALLER BUILDERS - over 75% do less than \$2,000,000 per year (20 homes) - a third do less than \$1/2 million (5 homes) - the average builder does 13 homes a year.
- * OPTIMISTIC WE'VE HIT BOTTOM - overall predict a 21% increase in their volumes for 1985 - of sample, 68% predict growth, 17% cutback and 15% same for 1985 - positiveness highest in Edmonton.
- * NOT MUCH SPEC-BUILDING - overall only 14% of homes built on spec - about 4 out of 10 homes built from builders' plans and 4 out of 10 from customers plans - former more in larger centres.
- * 90% LIMITED COMPANIES - the day of the partnership or proprietorship is gone, even for smaller operators.

- * COURSES TAKEN - 1/3 have taken NO courses in 3 years - a little over 1 in 10 have taken over 3.
- * WHY NO COURSES? - ONE GUY SAYS HE'S BEEN TO ALL OF THEM! - some say problem is money, time, courses too general or not available - LITERAL TRANSLATION - SHOW ME ONE WITH A PERCEIVED VALUE TO ME IN MY BUSINESS!
- * WHAT COURSES DID THEY TAKE? - over half were technical/construction oriented, mostly R-2000 and energy-efficiency - roughly 2 in 10 were sales and marketing or management oriented - 1 in 10 was finance.

III WHAT DO BUILDERS WANT?

For this section, it's easier to look at the Questionnaire from the end and go backwards.

- * BUILDERS WANT SOME FORM OF "MASTER BUILDER". 85% say so. (It will be interesting in follow-up to find out if they want it for themselves or the other guy!!!).

It is normal in compiling questionnaires using a 1-5 ranking scale, to group 4's and 5's as positive and 1's and 2's as negative. Results following use this method. Overall, it is important to note that VERY FEW QUESTIONS YIELDED LESS THAN A 40% POSITIVE RESPONSE. RESPONDENTS ARE EAGER TO LEARN, BUT WANT SPECIFIC KNOWLEDGE IN AREAS PROMISING TO ENHANCE THEIR BUSINESSES.

To categorize and prioritize respondent needs, each question has been listed under one of these headings: CONSTRUCTION; ESTIMATING; BUYING; SALES & MARKETING; MANAGEMENT; & FINANCE/ACCOUNTING/BUDGETS. It is, of course, recognized that some questions really fall under more than one of these headings; we have used the one of most impact only.

It is interesting to see the development of interest as the individual goes through the Questionnaire. The process was to ask near the beginning, point blank, if they wanted some courses, and if so, what? The Questionnaire then goes on to just list 61 phrases, many of which were picked up during the interviews with builders. The third section again asks about courses. The truly interesting thing is that few people even answered the first section, nearly everyone all of the second section, and nearly all answered the third section, which in essence, is a duplication of section one. WHY? Subsequent follow-up confirmed our guesses; builders think of courses generally as not being for them, for many reasons, but when asked about areas that are meaningful to them, they ARE INTERESTED, and if those specific interests could be COURSES, they say they're interested.

- * STRONGEST OVER-ALL INTEREST AREA - SALES AND MARKETING

* OVERALL RESULTS - ALL AREAS - PERCENTAGE POSITIVE ON ALL QUESTIONS IN AREA

SALES & MARKETING	56%
ESTIMATING/BUYING	50%
FINANCE/ACCOUNTING/BUDGETS	49%
DESIGN	45%
MANAGEMENT	44%
CONSTRUCTION	37%

* "We know how to build - we need to SELL!"

* SPECIFICS are more important then GENERAL ITEMS such as those under management.

* TOP 6 QUESTIONS

#17 - 81.6%	"SALES, SALES, SALES"
#31 - 78.3%	"MARKET INTELLIGENCE"
#3 - 74.5%	"MAKING A PROFIT"
#15 - 74.1%	"HOW DO I MAKE GOOD DECISIONS ABOUT THE FUTURE?"
#37 - 71.7%	"FACILITATING TRADES"
#16 - 70.7%	"ACCURATE ESTIMATING"

* EVEN CONSTRUCTION, with only 36.4% of answers, either 4's or 5's, is still a SIGNIFICANT INDICATION OF INTEREST. If we look at the ACTUAL COURSES TAKEN (R-2000!) IT IS EASY TO SEE THAT QUALITY COURSES IN ALL AREAS GEARED SPECIFICALLY TO THE BUILDER will be well attended.

IV WHERE DO WE GO FROM HERE?

The study and questionnaire have confirmed conclusively that builder's are eager to increase their knowledge in all areas. It is further evidenced that the courses, however, must be crips and directed at specific realities, not general business courses watered down to appeal to the builder, the farmer, and a person opening a hot dog stand.

The full report contains samples of the courses offered throughout the province most closely aligning themselves with our needs. Clearly, the courses are too general, and in fairness, do not pretend to serve this specific eductional specification, nor should it be expected that these institutions should or could provide such programs. The challenge is clearly one aimed at the industry itself. Helping builders to become better, more successful builders is not just a side issue with the industry, it is and must be, a cornerstone of assured survival.

So the next steps are to DEVELOP and IMPLEMENT a program of courses. It is felt that two courses should be developed immediately, with an eye and ear to them being part of some more 'complete' program at some point in the future. One course would come from the Sales and Marketing category; one would probably be in the area of "Estimating and Buying". Both would concentrate on these activities from the perspective of a "hands-on" owner-manager, (i.e., the course attendee may well be DOING the estimating, as well as OWNING and RUNNING the company).

It is the intent of the Alberta Home Builders' Association to approach the Alberta Department of Housing immediately with a proposal encompassing the financing of the development of these two courses as a pilot project. It is hoped that delivery of the actual courses would be able to take place in the spring of this year.

**COURSE OUTLINE ON SALES AND MARKETING CONCEPTS
FOR TODAY'S BUILDERS**

Prepared by

Don Yurchuk, MIA

for

The Alberta Home Builders' Association

December 1985

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MODULE ONE - Outline and Preview

INTRODUCTION

This course is aimed at today's builder. This builder is a master of all. He may be a superintendent by day and a salesperson by night. He is working in an exciting time. The industry is beginning to turn around.

Most of these builders have taken courses in the past. These courses have usually been deficient in several areas. Some have been so general as to be useless. For example, marketing courses have generally covered all areas of marketing. Home sales have been lumped together with retail sales, services sales and other general subjects. Although principles were covered, application was not.

Other courses were very academic, addressing the principles of consumer behavior without explaining how the principles could be applied. Again, the courses could not be applied directly to the problems and opportunities in the home building business.

This course is different. It has been developed to address the marketing problems and opportunities which face Alberta home builders. The target audience is the owner/manager of a small building company plus sales and other representatives of larger firms.

The course consists of eight modules. Ideally, builders will complete the course in two days, taking four modules each day. The course can be completed in eight evenings, but this would be less useful. Much of the material would be forgotten between sessions and each session builds on the preceding one.

The course will not solve all problems a builder faces. No course can do that. The intent of the course is to improve profitable sales. In some cases it can lead to a few extra units sold per year as more potential customers are closed. As well, the course can make new opportunities visible. Builders can approach new and profitable markets, while eliminating unprofitable areas.

The course is hands-on. Each module addresses a specific topic in marketing. Most modules include a worksheet to be completed by each individual builder. Although discussion will be encouraged, the contents of worksheets will not be shared as they comprise marketing plans for the individual firm.

DESCRIPTION - MODULES TWO TO EIGHT

MODULE TWO - Market Research

The words market research are sufficient to turn many builders off. They are visibly expensive projects, written by non-builders, which ultimately may be shown to draw the wrong conclusions.

Yet, market research is needed. What is usually not needed is a huge formal study which reaches very general conclusions which are of no practical use.

All builders engage in research each day. Everytime a potential building lot is examined, the builder is trying to determine if a profitable home can be built there. This is research. The purpose of this module is to take this research procedure a little further and to develop a more structured approach.

The approach used by the course is summarized below:

1. Situation analysis.
2. Problem or opportunity formulation.
3. Determine research needed.
4. Determine how research will be done.
5. Do the research.
6. Organize the results.
7. Draw conclusions and take actions.

1. Situation Analysis

This is simply determining where you are and where you are going. Past records are the best starting place. Look at past buyers' files. Can you determine some common characteristics? For example, were most of your buyers first time buyers? Where some buyers transferred in from another town or city? Which homes are the most profitable? A list of criteria is used in this module to determine where you are.

2. Problem or Opportunity

Often, a solid definition or a problem or opportunity leads directly to a direction for either solving the problem or taking advantage of the opportunity.

Problem/opportunity analysis is completed with the use of a worksheet.

3. Determining Research Needed

This stage is a direct result of the problems/opportunities which have been identified. Research needed will begin with a definition of data needed, beginning with existing data and defining new data to be gathered.

4. Determine How Research will be done

In this stage, a step-by-step research plan will be completed.

5. Do the Research

This stage may be partially completed within the course. Outside data, if needed, will have to be collected at a later time.

6. Organize the Results

In many cases, managers have much more data available than is required. Reorganization of data in an appropriate framework will ensure inclusion of needed information and exclusion of extra or unneeded data.

7. Draw Conclusions and Take Action

Conclusions will naturally result from the results of the research. Just as naturally, potential actions will be pointed out.

MODULE THREE - Marketing Introduction

The marketing concept is introduced. A worksheet is provided to ensure company-wide adherence to the concept (consumer satisfaction with long-term profit goals for the company).

Marketing Controllables are defined. These include product, price, distribution and promotion. The concept of marketing uncontrollables is introduced and covered in detail. Uncontrollables include the political/legal system, competition, societal environment, economic trends and changes in technology. Worksheets will be provided in each area. Although the uncontrollables cannot be directly manipulated, awareness of them will allow the builder to plan and proact, rather than being in the position of reacting after the fact.

MODULE FOUR - Marketing - Pricing, Product and Location

Many types of products may be built. In single family alone, bungalows, split-levels, bilevels, and two stories can be constructed. As well, sizes and features can vary greatly. After definition of potential buyers (through research) and consideration of uncontrollables, the builder will determine the most likely and profitable model to build.

Prices are set based on cost plus consideration of the uncontrollables. For example, competition could be selling for less than your cost. This may be due to building on lower priced lots or simply to maintain cash flow. In either case, strategies must be developed to resolve this problem.

Location of homes is critical to profitable sales. Since most building is to order rather than spec, sales may be carried out in a show home, a trailer, or your own home. Each location has advantages and disadvantages which will be pointed out with a worksheet.

MODULE FIVE - Promotion - Advertising, Public Relations and Publicity

This module develops advertising, public relations and publicity concepts. Advertising is paid promotion, usually through one of several media. Television, radio, newspapers, billboards, busboards signage, and advertising drops are compared to choose the best advertising mix. Novel approaches such as cooperative advertising and proper signage (which will lure customers who respond to another builder's advertisements) are discussed as well.

Specialty advertising is another area which may be developed. Pens, calendars and home layouts may be given to prospective customers to remind them of a particular building or home.

Public relations is very important to the builder. The public dealt with include purchasers, prospective purchasers, lenders, staff sub-trades, and the general public. Each will be identified further and dealt with.

Publicity is "free" advertising. It may include press releases or other newsworthy events. A major value of publicity is that it has more credibility than advertising, since it is news.

Advertising should be budgeted carefully. Two general methods are used. The first is a percentage of sales. The second is task/objective method. Each is discussed in detail to establish a realistic advertising budget.

MODULE SIX - Personal Sales - Skills

One sales method is discussed in detail. Worksheets allow the participant to plan a unique personal sales approach. The emphasis is on listening rather than talking.

The method begins with prospecting. This is locating prospective customers.

The approach is the process of attracting prospective customers to the selling location. Conversely, the builder may go to the customer.

Qualification is critical to a successful sale. This topic includes qualification based on money and income available plus the needs of the prospect. Good qualification will ensure that the correct product is shown and sold.

Presentation consists of two stages. The first is creating and holding interest. The second stage is arousing desire and achieving conviction. Demonstration is an important part of presentation. Effective demonstration (and having the prospect actually try the item) will often lead to a sale.

Objections will almost always occur. There are two types. The first is a HARD or real objection. This must be overcome before a sale can occur. The second type of objection is a SOFT objection. This is a statement which masks the real reason(s) the purchase cannot be made. The seller must uncover the real, underlying objection and deal with it. Only then can a sale occur.

MODULE SEVEN - Personal Sales - Role Play

This module consists of having participants apply the principles from module six in a simulated sale. Participants will attempt to "sell" a home. Efforts will be watched by other participants and critiqued constructively. This simulation is very important as practice of techniques leads to successful sales.

MODULE EIGHT - Follow-up and Conclusion

The sale does not end with the close. In fact, signing the contract is the beginning of a relationship between seller and buyer. Financing and other arrangements must be completed, the home must be built and occupied and service levels must be set. Proper follow-up will often lead to referral sales. These are often the easiest and most profitable sales.

MODULE TWO - Market Research

All builders engage in informal market research on an on-going basis. Everytime a potential building lot is examined and matched to a house plan, the builder is doing research.

The purpose of this module is to develop a structured research approach. The informal approach will miss opportunities and information which is important for decision-making.

The main aim of research is to identify problems or opportunities, uncover relevant data and apply this to specific problems. For builders, most research will be into targeting and segmenting both existing and potential markets.

Targeting and segmenting is based on three general variables. The first is geography. Two questions must be asked. The first is "Where are customers coming from?" Answers to this question will often lead to the second question which is "Where do these customers want to live?" Customers will often buy a home in an area which is similar to the area in which they now live. Often the type of home to be bought can be seen from a description of the existing home.

The second segmenting variable is the description of the potential purchaser. This description should include age, marital status, and other characteristics as outlined on the following worksheet.

The third segmenting variable is lifestyle. A description of customer lifestyle will lead to matching the home to the buyer.

1. Situation Analysis

These characteristics are first considered in the SITUATION ANALYSIS. This is a consideration of the existing situation. Worksheet one gives a partial list of customer characteristics. After going through the worksheet, some common traits may become evident. For example, several customers may seem to share the following characteristics. They already own a home and may be moving to a larger home in the same area. They may be married with two to three children, have \$20,000 - \$30,000 in equity, a family income of thirty-five thousand dollars per year and be looking for a larger home with an attached garage and a fireplace. They may also be moving from a bungalow to a split level or two storey. An opportunity may be available in this market.

2. Problem or Opportunity

A solid definition of a problem or opportunity is often a direct lead to a solution or shows how to approach an opportunity. Use worksheet two to define and set priorities of several problems and opportunities. Some problems may be turned into opportunities. List these.

Problems or opportunities may be placed on a priority list from most to least important based on two factors. How much impact will the problem or opportunity have? How likely is it to happen? Very important, very likely problems or opportunities should be researched first.

For an example, we will continue with our family from the previous example. We discover that there may be an opportunity to sell to other similar families. The difficulty is that our description is fairly general and we don't know how to reach this target market.

3. Determine Research Needed

Following the example above, we need to find out more about this potential target market. As well, we must discover how to reach this group. Following the worksheet, we have previously stated what we know. To summarize:

- own home
- moving within same area
- married, two or three children
- 20,000 - 30,000 equity
- 35,000 annual family income
- want larger home
- want garage and fireplace
- moving from bungalow to split or two storey.

We want to know:

- Is there a significant market which is much like our defined group?
- What other characteristics are shared by the group?
 - Employment
 - Want formal dining room
 - Want one and one-half baths
 - Want sunken family room
- How can we best promote to attract this group?

The lists developed on the worksheet will be specified to your problems/opportunities.

4. Determine How Research will be done

Be creative in this stage. For the example, we will do some test marketing. Five hundred brochures will be printed, showing pictures of split and a two storey on the back. The front will state that we have homes available on choice lots (remember these customers are moving up) and will have details on the benefits available if people move now. Features in the homes will include garages, fireplaces and dining or family rooms. Families will be invited to visit the show home (if available) or to contact the builder for details.

Use the worksheet to determine how you will complete your research.

5. Do the Research

Following our example, we now wait for response. Your research will, of course, be different.

6. Organize the Results

In the example, assume that six calls were received from a drop of 500 one page brochures. We would meet with the potential customers and determine whether our target is correct (we would also attempt to sell the customers).

7. Draw Conclusions and Take Action

Using the example, assume that the brochures cost \$300 to produce and distribute. This amounts to \$50 per prospect. Compare this to the cost of other promotion. It may be substantially higher. However, if one sale occurred due to the test, the slightly higher cost would be justified. The brochures are targeting a very specific group, very directly.

Continuing with the example, if three of the potential customers are similar to our proposed target, we may have a viable group to approach. The door-to-door drop may have been quite effective. We could now expand our drop to a large segment of the neighborhood. As well, we could use signage within the neighborhood and even approach a community newspaper.

MODULE TWO - Market Research

Worksheet One

Situation Analysis

Where do most existing customers come from?

Describe most existing customers

- Age range
- Marital status
- Number of children
- Income (family)
- Existing equity (dollars)
- First time buyers or repeat buyers

Lifestyle

- Upwardly Mobile
 - Want - Attached garage
 - Fireplace
 -
 -
- Similar home to present

Want -

-

-

Worksheet Two

Problem or Opportunity

Based on the situation analysis worksheet, what problems or opportunities are apparent?

Problems	Priority
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____

Opportunities

7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
11. _____	_____
12. _____	_____

Can any of the problems be solved in such a manner that the problem may be converted into an opportunity. For example, poor cash flow may indicate a problem (insufficient sales due to new show homes). Equity financing could solve this problem and could lead to an opportunity for growth.

Problem	Opportunity
_____	13. _____
_____	14. _____
_____	15. _____

Problem/Opportunity Analysis

List the number of the problems or opportunities in the appropriate box.

		LIKELIHOOD	
		HIGH	LOW
I M P O R T A N C E	HIGH	<hr/>	
		<hr/>	
	LOW	<hr/>	
		<hr/>	

Revised list of problems/opportunities to be researched (based on high likelihood/high importance).

1.

2.

3.

Worksheet Three

Determine Research Needed

What do you now know about the problem(s) or opportunity(s) you want to research and what do you need to know?

#1 Known

Need To Know

#2 Known

Need To Know

#3 Known

Need To Know

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Worksheet Six

Organize the Results

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Worksheet Seven

Draw Conclusions and Take Action

1. Conclusion

Action

2. Conclusion

Action

3. Conclusion

Action

MODULE THREE - Marketing Introduction

Selling is not marketing. Too often builders lose sight of this fact. Selling is the process of informing, reminding and persuading potential customers that your product should be purchased. Sales are the culmination or natural result of good marketing.

Marketing includes all activities directed at converting a prospective purchaser into a satisfied customer. Marketing may be broken down into two general classifications, controllables and uncontrollables.

Controllables include the product to be produced, prices charged, promotions to be used and location to be chosen. Uncontrollables include the legal/political system, economic, societal, competitive and technological environments. Controllables are discussed in the remaining modules. This module covers the uncontrollables.

Uncontrollables are environments or factors which cannot be controlled. Why discuss things which cannot be controlled? The answer is that uncontrollables may be known and manipulated somewhat. For example, knowledge of the legal/political climate allowed many builders to produce successful and profitable projects, under generous capital cost allowance conditions.

As well, manipulation of uncontrollables will allow the builder to proact rather than reacting to marketplace changes. An understanding of uncontrollables is also fundamental to the marketing concept.

The concept states that the company's goal should be to deliver customer satisfaction with long-term profit goals for the company. Every employee should be oriented towards giving the customer satisfaction and the company a profit. In actuality, these are the same goals. Satisfied customers will develop the company's reputation and a well respected company can charge more for its product. Worksheet one (at the end of this module) is a checklist for adherence to the marketing concept. Completion of the worksheet will tell you whether or not your company is using the marketing concept and how you can improve its use.

Marketing uncontrollables were introduced earlier. We will now consider them in detail.

The first is the legal/political system. The legal system allows us to do certain things while prohibiting others. For example, legislation leads to construction codes which insure a minimum quality of construction. The political system can have a positive impact by providing large capital cost allowances or special incentives to certain buyer groups, such as first-time buyers. While you cannot directly affect changes in this system, be prepared to react quickly to any new legislation. Changes may be positive or negative.

The second uncontrollable is the economic environment. Again, you cannot directly control the economy. However, you can be aware of impending changes and proact to take advantage of growth while cutting back for low activity times.

Economic activity is cyclic. That is, economic activity rises and then falls in approximately five year cycles. The diagram in worksheet two illustrates a typical cycle.

The diagram shows smooth curve. Actual economic activity is not smooth. Economic activity rises and falls in a series of jerky motions. As well, while the cycle is approximately five years in length, it may actually repeat in two to eight years.

Explaining the diagram, the economic depression is the bottoming out of the economy. Many indicators are available to show this stage of economic activity. We will consider interest rates, stock market activity, unemployment and inventory levels.

At the depression, interest rates are falling and will continue to fall even after growth begins. Stocks begin to rise in price, unemployment is peaking while inventory levels are at their lowest points.

As the economy goes into the growth phase interest rates finally level out and then begin to rise. Stocks continue to rise in price, unemployment reduces and inventory begins to be developed.

At the peak, interest rates are continuing to rise. The stock market averages begin to drop, signifying a downturn in the economy. Unemployment is low while inventory levels are high.

The economy begins to recess. Interest rates finally level out and begin to decline. Stock prices continue to fall. Unemployment increases as inventory amounts are decreased.

As well as the five year cycle, the economy also has a fifty year cycle. That is, there is a major depression about every fifty years. The second last major depression began in 1929. The last depression began in approximately 1981. At this time, economists are split as to whether the past five years represent the bottom of the depression or that a new, worse depression will begin in approximately 1988. Some economists predict a period of slow but steady growth for the balance of the century. Others suggest that current deficit budgeting plus large outstanding government loans by Mexico, Poland, Brazil, etc., will lead to an even worse depression in the next few years.

How is this information useful for the builder? Knowledge of future economic activity may be used to plan expansion, spec lot purchase, spec building, etc.

For example, the beginning of the growth cycle would be a good time to expand. Lots should be bought and spec building may be considered. Costs are at their lowest at this time. However, financing should be interim and relatively short in time span, as interest rates will still decline somewhat. Sub-trades may be contracted at a more reasonable price than in the near future. Good relationships should be developed with sub-trades and suppliers to insure their cooperation in the future, when prices are rising and shortages begin to occur.

The societal environment is the third uncontrollable. This is your relationship with the general public (or society) in general. Your company is either unknown or known to potential home buyers before they begin to seek a new home. If you are unknown, you must use promotion (advertising specifically) to insure that the buying public becomes aware of your company and your product. When buyers begin to contemplate a purchase, your company's name should be there, from the beginning. Word of mouth advertising works well for this type of promotion.

If your company is generally known, the reputation must attract buyers. Consider several builders in your area. Profile three builders using worksheet three. Now profile your own company. What can you do to improve how the general public views your company? We will discuss these activities further, under public relations.

The competitive environment is the fourth to be discussed. Look at the previous worksheet. Are there areas which you can improve to make your company more competitive? You may shop your competition to insure that you are offering a better marketing mix to customers.

There is another type of competition which is important. As well as competing with other builders, you are competing with new car purchases, holidays, and other potential spending areas. Stated another way, potential purchasers have many areas in which to spend their money. If they do not perceive the advantages of home ownership, they may decide not to purchase a home. Part of your promotion should show the advantages of home ownership.

New home builders also compete with both existing homes and rentals. The builder should be aware of the price spread between new and used homes. A large spread with quite a large number of used homes might indicate a decreasing number of new home purchases. A small price spread with few used homes could indicate an opportunity.

Large vacancy rates in rental properties could indicate lower future sales. A small vacancy rate could indicate an opportunity, especially in starter homes.

The final uncontrollable is the technological environment. Housing has been affected by new technology. Energy saving designs and devices are available to decrease energy consumption. You may decide to sell to customers who want the latest technology. There is also a market for builders who sell a very basic, non-innovative home.

The five environments should be considered together. For example, an economic decline will lead to fewer purchasers buying and harder competition.

Module Three: Marketing

Worksheet One

Marketing Concept Checklist

The marketing concept states that all employees have the goal of customer satisfaction while providing the company long-term profit. This is primarily an attitude. Some individuals are listed below as examples. Disregard those positions that don't apply and add any which do. If you are any or all of these positions, evaluate your own response to customers.

Receptionist

How are customers greeted on the telephone? _____

How are customers greeted and treated when they come into your office? _____

Do staff promptly receive messages from customers? _____

How could your receptionist provide better service to your customers? _____

Sales Staff

Does each member of your sales staff try his or her best to insure that customers and potential customers are satisfied? _____

Are sales staff always punctual for appointments? _____

Are sales staff not always courteous to customers? Do they "turn them off" when it is apparent that the family will not buy? _____

Do sales staff have disagreements with customers? Why? _____

How would your customers rate your sales staff?

Helpfulness _____

Honesty _____

Caring _____

Empathy _____

Other Factors _____

How could your sales staff provide better service to your customers? _____

Job Site Supervisors

What is the attitude of jobsite supervisors towards outside realtors, customers and potential customers who want to walk through your homes which are under construction?

Are homes under construction kept relatively clean, creating an atmosphere of well planned and carried out construction? _____

Are homes actually completed on schedule? _____

Is the quality of completed homes at a level which is superior to your competition? _____

Are homes actually complete when they are occupied? _____

Is pre-occ work (if supervised by jobsite supervisor) completed quickly and well by sub-trades and/or by your service staff? _____

How could your jobsite supervisors provide better service to your customers? _____

Outside Realtors

Many builders use outside realtors to sell products. These may usually be classified into two groups. The first is the casual realtor. He or she may show your product as well as that of other builders. Often your product is used to sell someone else's homes. Contact these realtors as soon as possible after they have shown the home to get their reaction.

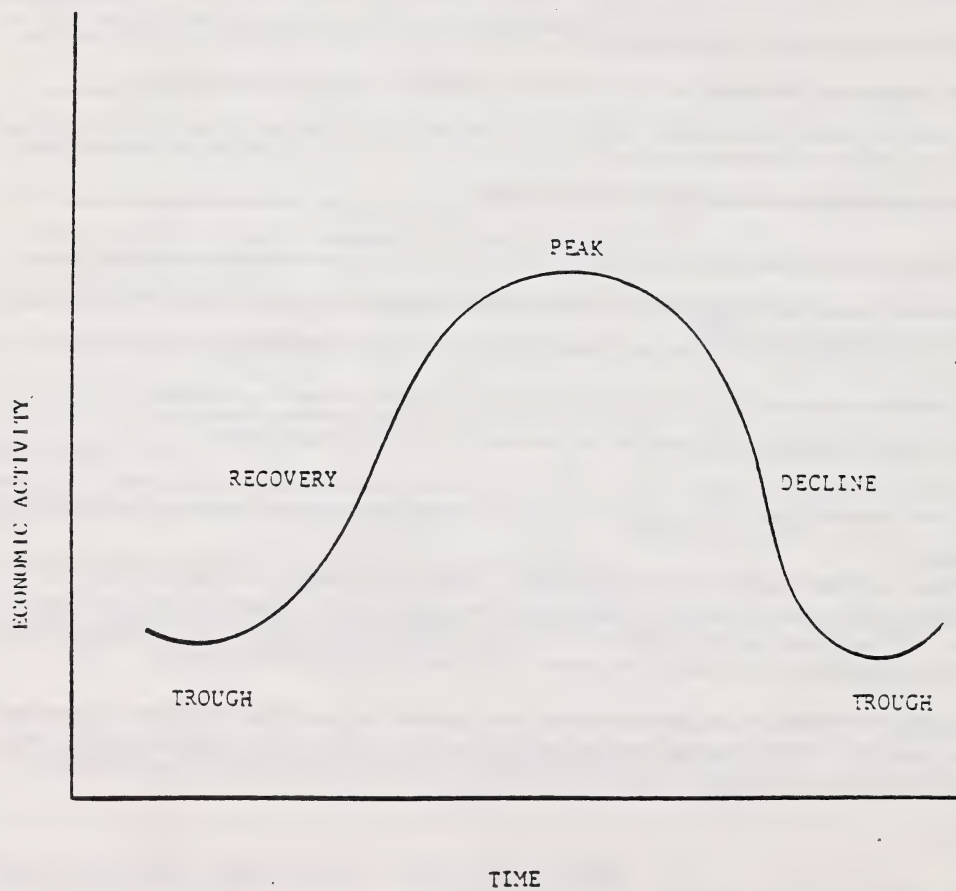
The other category of realtor is the individual who spends a good deal of time becoming aware of your product. This type of realtor may have many potential customers and may sell several homes for you in a year. Rate the realtors just as you rate your own sales staff.

Other Staff

Consider other staff who have contact with your customers. Evaluate each carefully. What does he or she do to provide service to customers? What could he or she do better?

Worksheet Two

Economic Cycle



Worksheet Three

Builder Profile

Profile	1	2	3	Self
- Generally Successful				
- Product				
- large				
- medium				
- small				
- Custom Built				
- Other				
- Price				
- high				
- low				
- about right				
- Promotion				
- Advertising				
- Quantity				
- Quality				
- Personal Sales				
- Good Sales Reps				
- Show Homes				
- Service (good or bad)				
- General Reputation				

MODULE FOUR - Marketing - Pricing, Product and Location

Pricing

Because of the prevailing economic climate, price has become an extremely important variable in the housing market. Used homes are available, often at lower prices than new homes. Yet all homes are not alike. A superior design with some extra features might sell for substantially more than the same size home with less features. Buyers might perceive that one builder's homes have higher quality than another and might pay a higher price.

Setting selling prices may be broken down into a series of steps. The first is to establish pricing objectives. Profit maximization will be the first objective. However, this is constrained by competition. There is a trade off between profit maximization and market share. High margins usually mean less sales. The best objective is a combination. That is, a certain profit with a certain market share.

The next step in setting selling prices is to work out the cost of the home. This will establish the break even point. Profits will be earned if the selling price is above this break even point. Since total profits equal unit profit times units sold, a few high profit units will earn as much profit as many low profit units.

The third step in price setting is comparison of your target prices to competitive prices. Are your prices above, the same as or below your competition? If above, why? Will customers purchase from you? Is there some special quality that your product possesses which will allow you to charge more?

You may be priced competitively. This will maintain sales at their current levels. If this is acceptable, maintain these price levels.

If your price is below that of your competition, how will he react? Can he lower prices to your level? Should you increase prices to the competitions' level? Why sell at less than the maximum price you can achieve?

Answers to these questions will point out a final selling price. Once established, test your selling price. If sales are slow, consider a slightly lower price to increase sales. High sales levels may lead you to increasing unit prices.

Some builders resort to price cutting to make sales. There are times when this can be useful. For example, cutting the price of an existing house may cause it to sell more quickly.

In other cases, price cutting may have a negative effect on long-term sales. For example, assume a marketplace with ten builders. If one builder cuts prices, this could lead to a few extra sales. In time, other builders will also have to cut prices to maintain their sales. In time, all house prices in the area will be somewhat lower. However, there may not be more sales. The result is the same number of homes sold with lower prices being charged by all builders.

Finally, use price as a selling tool. Often, a builder will simply quote a total package price. Quoting a detailed specification sheet will make the buyer see that there is more value in the home than would be apparent with a total price.

Product

Product is very closely tied to price. Customers perceive a high priced product to have higher quality. Product is the entire bundle that the buyer purchases. It includes the physical home. As well, it includes the status of ownership, the ongoing enjoyment of the home and the service that is given.

As builders, we sell product. Purchasers buy benefits. Selling products means showing buyers how they will benefit from buying. For example, you may sell a fireplace as a feature. The benefit bought is enjoyment of the heat and glow of the fireplace during the cold winter evenings. Trade-off must often be made by buyers. For example, a buyer may have to decide between a fireplace and an attached garage. Each has a certain utility or worth to the buyer. Establishing which has the higher utility helps to sell the home.

Worksheet one lists some potential product and optional features which might be used to determine which benefits buyers might prefer. Work through the worksheet, outline the benefits buyers would enjoy from each house type and feature. These benefits will form the basis for presenting the home to potential buyers.

Location

Location is very important to the product. Access to amenities may make or lose a sale. Use worksheet two to determine which elements of location are most important to buyers. As with product, location will be very important in presenting the home.

Price, product and location form a package which must be sold to potential purchasers. The next module deals with attracting buyers to your site, to enable you to sell.

Worksheet One
Product: Features and Benefits

House Types

- o Bungalow
 - Benefits:
 - 1.
 - 2.
 - 3.
 - 4.
 - 5.

- o Split Level
 - Benefits:
 - 1.
 - 2.
 - 3.
 - 4.
 - 5.

- o Two Storey
 - Benefits:
 - 1.
 - 2.
 - 3.
 - 4.
 - 5.

- o Other
 - Benefits:
 - 1.
 - 2.
 - 3.
 - 4.
 - 5.

Features

- Energy Efficiency
- Fireplace
- Attached Garage
- Others
- _____
- _____
- _____

Benefits

- _____
- _____
- _____
- _____
- _____
- _____
- _____

Worksheet Two
Location Analysis

o **Special Sub-Division Features**

- Golf Course _____

- Ravine or Park _____

- Other _____

o **Access to Major Business or Industrial Areas**

o **Character of the Sub-Division (eg: high, medium or low priced homes)**

o **Adjacent Development**

o **Amenities**

- Schools _____

- Shopping Centres _____

- Medical Facilities _____

- Recreational Facilities _____

- Churches _____

- Day Care _____

- Bus Routes _____

- Mail Delivery _____

- Other _____

MODULE FIVE - Promotion - Advertising, Public Relations and Publicity

Promotion includes all activities which you do to bring your company to the attention of potential buyers. Included are advertising, public relations, publicity and personal sales. This module considers the first three elements. Personal sales are covered separately in module six.

One method of promotion will seldom, if ever, totally communicate a builder's product to all potential customers. A combination works much better. For example, newspaper advertisements, signs and a door-to-door drop will all work together to attract buyers. One of the three, used alone, is not nearly as effective, even if more money is spent.

Advertising

Advertising is the presentation of information to a wide group of potential buyers. As a type of promotion, advertising seeks to inform, and/or persuade buyers and potential buyers. To this end, advertising's objectives are to get the customers' **attention**, arouse **interest**, create the **desire** to buy and lead to buying **action** through identifying how the purchase may be made. All advertisements must be carefully checked to insure that the four objectives are met.

Advertising is of two types. It may be product oriented or institutional. Product oriented advertising will identify specific products and may include prices or special short term promotions. Institutional advertising seeks to improve the company's image and to increase consumer awareness of the company. Most builders will spend approximately 90% of their budget on product oriented advertising and the balance on institutional advertising. This module will concentrate on product oriented advertising.

Advertising may take many forms. The most common form used by builders are listed below. A brief explanation of the advantages and disadvantages follows.

- o Newspapers
- o Door-to-Door Drop Off
- o Outdoor Advertising
- o Radio
- o Television

Newspapers

Next to signs, newspapers are the most common advertising medium used by builders. Buyers will usually begin their search with the newspaper. Unfortunately, there are usually so many ads that one-eighth page is the minimum size which will have a high impact. Since this is expensive, most builders use less. Many potential buyers never see a specific builder's ad.

Newspapers are read by virtually all adults. The quality of ads is acceptable. However, most newspapers are thrown out after about twenty-four hours.

Signs

Signs are the most important single advertising medium used by builders who use a show home. Signs convey the builder's image to a selling location. Creative use of signs can be an important selling tool. For example, another builder may advertise to attract buyers to an area. Placement of your signs can attract these potential customers to your show home.

Door-to-Door Drop-Off

When a specific area is recognized to contain a significant number of potential customers, you can prepare a one page brochure and drop it at every home. The cost is not excessive and you are getting your message to your target market.

Outdoor Advertising

This includes billboards and other long-term signs. Billboards are generally placed near high traffic roadways. The message must be short but it will be read by thousands of passersby. This repetition will eventually have impact on readers. Signs on buses are similar to billboards as are other long-term signs.

Radio

Radio advertising can be targeted directly to a perceived buyer group. People tend to listen to one or a few stations. If you can identify your target market, radio can be used effectively. Unfortunately the radio message (unlike newspapers) is missed if the potential buyer is not listening at the correct moment.

Television

This medium is best used by large companies. Television is expensive. The commercials themselves may cost thousands of dollars per minute. The major advantage of television is that thousands of potential buyers will be watching at any time. Television also has the disadvantages of being easily missed.

Sales Promotion

Sales promotion is a set of activities which attract potential customers or which will continuously remind them of your existence. Promotions are summarized below and discussed after the summary.

- o Specialty Advertising
- o Trade Shows
- o Prizes

Specialty Advertising

This promotion consists of giving potential customers something tangible which will cause them to remember the company. Brochures, key chains, calendars and pens with the company's name on them are usually used. These serve to constantly remind the individual of the company.

Trade Shows

Trade shows are useful in that many potential customers will attend a typical show. A booth at a show will typically attract hundreds of interested parties. The problem is in choosing a trade show being attended by potential buyers.

Prizes

Prizes are infrequently used as specialty advertising. Usually, potential home buyers are not the only people attracted. Masses of people who only want a chance to win a prize will make certain that you cannot identify real prospects.

Public Relations and Publicity

This area includes the recognition and marketing to all publics which may affect the operation of your business. Although publicity (ie., free or paid news coverage of your business) is an important part of public relations, it is only one aspect. Communication by word of mouth is even more important. Community involvement can also be very positive to the businesses' image.

The publics you deal with will include several of the following:

- Customers
- Suppliers
- Competition
- Staff
- Government
- General Public
- Other Interest Groups

Each of the groups can be segmented into more specific sub-groups. For example, customers can be broken down into one-time buyers, repeat customers, large home purchasers, small home purchasers, cash sales and so on.

Publicity or news coverage will usually occur when your company has an event which is newsworthy. This can include an introduction of a new product. The event is reported to the media and becomes "news". Amount of coverage is enhanced by the importance of the event. As well, media will give businesses more publicity during quiet news periods or if the business does significant advertising with the media. Be cautious however, as media will readily report negative events as well. Small local community tabloids will often feature local companies, providing direct publicity in the relevant market.

Community involvement may be through sponsorship or contribution. The ultimate aim is to establish and improve the company image.

Word-of-mouth communication is one of the most important parts of public relations. Research has shown that a satisfied customer will inform four other potential customers while dissatisfaction will be voiced to seventeen potential buyers. Word-of-mouth promotion is not free. There are costs involved in creating and maintaining satisfied customers. Service levels may need improvement as may after sales follow-up.

Ultimately, all promotions must be drawn together to give customers a single view of the company. For example, a builder whose chosen image is high quality, medium sized, relatively expensive homes will insure that all promotion enhances this image.

Fill-out worksheet one. Decide which promotions are most relevant for your company.

Targeting Promotion

In order to be effective, promotion should be aimed at a known target audience. This reduces waste and insures maximum impact for the promotion. The target audience is usually known for an existing builder. If unknown, marketing research should be completed to identify promotional targets. As a last resource media sellers may be consulted as their experience can be used to identify target groups.

Promotion should be used to generate specific results. In other words, promotion should only be used for a specific reason. Some specific reasons for promotion have been identified as being very common to builders.

These are identified below:

- Attracting new customers
- Establishing differentiation between builders
- Building company image
- Increasing traffic
- New house type introduction
- Penetrating new markets
- Building company sales

Identify one or more promotional targets. If none of the above apply, decide specifically what the target of your promotion will be.

Budgeting Promotion

Promotion is a business expense, similar to production costs or purchase of lots. Promotion must be planned and budgeted as accurately as possible.

Two general types of budgeting are generally used. The first is a percentage of sales or dollars per unit sold. This is not the best system.

The second budget method is the task/objective method. Establish the objectives of your promotion. Now, decide which tasks should be carried out to achieve these objectives. Spend only the money needed.

Implementing Promotion

Contact representatives from some of the chosen media. Meet with these people and have them suggest how promotional amounts may best be used. Each will, of course, attempt to sell you on his or her product. Choose from two or three, based on expected results.

Media representatives are an excellent resource for planning actual promotional campaigns. They will suggest themes and coverage to meet your promotional goals. As well, media representatives will help plan individual advertisements.

Advertisements (or air time) are sold on a cost per thousand basis. In effect, each media member is aware of the number of people who read, watch or listen to their outlet. More popular media will have a higher cost but will impact a larger number of customers. Choose the media you feel is most appropriate.

Creation of good written (or aired) copy is almost an art. Bearing in mind the goals of the promotion, look at published (or aired) commercials. Choose those commercials which fulfill the criteria of getting attention, arousing interest, creating desire and leading to action. As well, notice commercials which have high initial impact. Create copy for your promotion. Have chosen media representatives aid you to improve and modify your copy.

Testing Promotion

Promotion may best be tested by establishing a cost/benefit relationship. In other words, chart promotional costs and sales for the same period. If this is done diligently, a historical file can quickly be developed.

Effective promotion should be continued or even increased. Ineffective promotion or media should be eliminated. Caution must be used in evaluating the cause/effect relationship. The effects of a promotion may not be felt until it has run for a time. As well, promotion has a residual effect. For a period after cessation of promotion, sales may continue due to the promotion.

Worksheet One

Promotions

Target:

Advertising Media

Newspaper	_____
Magazine	_____
Trade Publication	_____
Door-to-door Drop Off	_____
Direct Mail	_____
Outdoor Advertising	_____
Television	_____
Radio	_____

What is to be accomplished _____

Sales Promotions

Specialty Advertising	_____
Trade Shows	_____
Prizes	_____
Other	_____

What is to be accomplished _____

Public Relations

Publicity
Word-of-mouth

Publics to be reached and purpose

Public	Purpose
_____	_____
_____	_____
_____	_____

MODULE SIX - Personal Sales - Skills

This may be the most expensive single promotional tool. Personal sales is the face-to-face presentation of the company's homes to customers with the goal of achieving sales. A popular myth is that good sales people are born that way. This is totally incorrect. Good training (given willingness to learn) creates good salespeople.

Common Aspects of Salespeople

The salesperson is your company's representative. As such, he or she should have the following traits:

- Good personal appearance
- Dressed properly for the selling situation
- Personable and outgoing
- Cheerful disposition
- Cooperative
- Enthusiastic
- Tactful
- Thorough
- Strong sense of wanting to help the customer
- Persistent
- Ambitious
- Strong product knowledge
- Knowledge of company's procedures and policies
- Ability to listen

Assess your salespeople. Do they possess the above characteristics? In many cases training will assist salespeople to sell better and earn both you and themselves more money.

Sales Procedure

Many potential sales procedures exist. The following step-by-step process has proven to be very successful. After steps are summarized, they are discussed in detail.

- Prospecting
- Approach
- Qualification
- Presentation
- Handling Objections
- Closing

Prospecting

This is the process of finding potential customers. In some cases, good promotion will attract potential customers to your selling location. Creative prospecting will increase the number of buyers.

An example of creative prospecting would be to call on businesses transferring employees into your building area. Offer to meet these employees and to show them housing available for sale. These are prime prospects as they normally have a very short period in which to buy.

Another example of creative prospecting was introduced previously. That is door-to-door drop off of brochures. This can lead to new customers.

Approach

This is the first meeting between the salesperson and the prospective customer. The first fifteen seconds will often be critical. Within that period, the buyer will assess the salesperson. A negative assessment will almost always lead to a lost sale.

An acceptable approach is a greeting, followed by the salesperson introducing himself. This will almost always lead to an introduction by the buyer. Establishing rapport quickly allows the salesperson to begin to sell.

Do not use the greeting, "May I help you?" This greeting is used by over ninety per cent of retailers and usually gets the response "No thanks, I'm just looking." People are sufficiently accustomed to this interchange that it is automatic.

A better greeting would be "Good afternoon. My name is _____. (Pause to see if they respond). Can I show you our show home".

Qualification

A good salesperson qualifies potential buyers quickly and accurately. This saves time for both the buyer and the seller. As well, the salesperson doesn't sell the wrong product, only to have to resell the correct home later.

Qualification includes both establishing the customers' needs and their ability to buy. Needs include the choice of home type plus features and location. Ability to buy includes the down payment available plus qualified income. Each salesperson uses his or her own technique to qualify customers. Practice is the key to success in qualification and the entire sales process.

Presentation

Presentation has two purposes. The first is to create and hold interest. The second is to arouse desire and conviction.

Demonstration is an important part of presentation. Showing customers how features work (and the benefits they'll get) gets the purchaser involved. Involvement leads to sales.

The presentation will vary with the selling situation. In a show home, one technique is to begin in the kitchen. Sales contracts, brochures and other sales aids should be readily accessible to the salesperson. Take the customers through the home. Point out features (and their benefits). This also helps to further qualify customers. Note areas which are of particular interest to the customer. Comment on them. Attempt to personalize the home. For example, point out which bedrooms could be for which children, if applicable. End the presentation in the kitchen. You are now ready to sell.

Selling from a plan may be more difficult. Have samples available. Use them to build a mental picture of the finished home. If possible arrange with previous buyers to show their homes to potential buyers.

Handling Objections

It is an old saying in sales that the sale begins when the objections begin. Rarely does a sale occur without some objections being raised. Objections are of two types. They are either hard or soft objections.

Hard objections are real objections. For example, the inability to make required monthly payments is a hard objection. Many hard objections are a result of incomplete or incorrect qualification. You should know how much the customers can pay monthly before selling them on a particular model.

Soft objections mask the real problem. These may show procrastination. For example, "I don't think we're ready to buy" or "We want to look around" may be procrastination objections. Another soft objection may be "We'll talk about it and let you know". In each case, the soft objection masks a real, hard objection. You haven't convinced them that they should buy.

With either objection, it must be answered if a sale is to occur. One method is to restate the objection in a question form. For example, consider the following objection and one possible answer.

Customer: "Well, we like the home but the location isn't what we had in mind."

This may be a soft or a hard objection. Probing is needed to clarify this.

Salesperson: "What is it about the location that you don't like?"

Customer: "The street in front is too busy. My wife would be watching the kids constantly."

The real objection is now apparent.

Salesperson: "If I could build you this home in a quiet cul-de-sac would you buy it?"

The salesperson has answered the objection and immediately attempted a trial close. The customer either buys or must find another objection. This process may go on for a period of time. Ultimately the customer either buys or leaves.

Closing

Quite often, the close is the natural result of the selling process. If all previous steps have been completed successfully, the close should be simple. This is not usually the case.

Several closes are possible. We will consider seven. All closing techniques have a common feature.

The salesperson listens carefully. He is seeking buying signals. Sales is not talking. It is mainly listening. When a buying signal is heard, a close begins. A buying signal may be the successful answer to an objection. It may also be a customer statement such as "This is a real comfortable home."

Following is a list of seven closes with explanations for each.

Ask for the Order

This is the simplest and often the best close. The sales interview has gone well, the customer has been qualified and presented, objections have been converted into benefits and the salesperson could say:

"Well, this certainly seems like the right home for you. The location is ideal, you want a two storey and the payments are well within your budget. Why don't we write it up?"

Note that the salesperson has summarized the major selling points and then asked for the sale. The possible responses are acceptance or another objection. The salesperson will answer any objections and continue to close.

Assumptive Close

This close assumes that the sale has been made but some minor point or points must yet be clarified. For example, the salesperson has begun to write the offer. He asks the customer: "Do you want to give me the entire deposit now or half now and half at mortgage approval?"

The question is not if the customer will buy. That is assumed. The question is how the customer will pay. The customer can respond by stating how the deposit will be paid or by raising an objection. The objection is answered and another close attempted.

Yes Building

This close depends on a very human characteristic. That is, a series of positively answered questions will probably lead to a positive answer when the close occurs.

For example, the following conversation could occur.

Salesperson: "This split level seems to fit your needs exactly."

Customer: "It's certainly the one we want."

Salesperson: "The attached double garage will really make you happy in the winter."

Customer: "It sure will. And I won't have to worry about parking on the street."

Salesperson: "The payments we've worked out are well within your budget."

Customer: "You know, I didn't think we could afford this home. But you've shown us that we can."

Salesperson: "Then let's write up an offer to purchase right now!!"

The customer will probably agree. To disagree would be to negate the entire previous conversation. It is much more natural to agree again.

Emotion (Pride)

Emotional closes can appeal to any emotions. For selling homes, pride is a very important selling point. Use of this close requires creating a mental picture which shows the pride of ownership of the home. As an example:

Salesperson: "Imagine entertaining your family in this living room. A brisk fire in the fireplace and you, your wife and family enjoying what you've earned."

Extra Inducement

This close may be used if it appears that you are losing the sale. You offer something extra to make the sale. For example:

Salesperson: "You know, if you buy today I can get you a range for no extra cost."

This close presumes that you have the ability to offer an extra inducement. As well, the customer may decide that you will give him much more if he stalls on buying.

Last Chance

This close attempts to develop a sense of urgency. That is, the customer must buy now or the home will not be available. Lots, price increases and sale of specific units can all be used to create urgency. For example:

Salesperson: "I have another family who is interested in this home. We're meeting later today."

Sincerity is the key to this close. If the customer does not believe there is another customer, the sale will probably be lost.

Silence

This close is also called the "he who speaks first loses" close. The salesperson summarizes important selling points, asks for the order and then waits silently. The customer must respond. A positive response is a sale. A negative response is an objection and is answered. This leads to another close.

Ultimately, the sales interview ends. A successful sale can and will result if the salesperson carefully follows all steps. When failure does occur, the salesperson should go through the process after the customer has left. He should ask himself where the sale was lost and how he could have saved it.

Practice is the key to successful sales. Learning occurs by repeating the process until it occurs naturally and automatically.

Summary

The outlined six step sales technique is effective and has proven itself. Quite often, you will find that the customer does not allow you to follow the steps. Be prepared to go back to previous steps and then re-direct the customer. For example, if you have presented a specific home and the first objection shows this to be totally the wrong home, you will have to present another home. Proceed with the presentation and re-direct the customer. Proceed through the balance of the steps.

MODULE SEVEN - Personal Sales - Role Play

This module is the practice of the previous module. That is, practicing the sales process by actually doing it. The course instructor will first attempt to sell one of the builders. After this, the "buyer" from the first role play will attempt to sell another "buyer" and so on. All builders may not have a chance to practice a role play, if time does not permit.

As a role play occurs, note the steps the participants go through. Specifically be aware of how the process works. Rate the seller on how he handles each step. At the end of the role play constructively discuss the strengths and weaknesses of the sales attempt.

Role play is very difficult as no person wants to attempt a sale and to fail. This is particularly true when there is an audience. The role play, however, is one of the most powerful learning techniques available.

MODULE EIGHT - Follow-Up and Conclusion

The follow-up has two stages. The first is insuring that purchaser's documentation is completed correctly and that the home is built and occupied as sold. The second stage of follow up begins after all pre-occupation deficiencies are cleared and continues through the service period.

First Stage

After the offer to purchase is completed, credit checked, mortgage applications and other documentation must be completed. This is detail work which some salespeople seem to find difficult to complete quickly. As well, because of the complexity of a home, very detailed notes should be kept outlining the specifications of the finished home. This will insure that the customer and the builder have no misunderstanding as to the final product. The salesperson should continue to contact the customer after the sale is finalized to insure that the customer stays sold on the home. Because of the size of the purchase, all buyers will go through a post purchase doubt phase. They may even want to cancel the contract. The salesperson's continued contact and reassurance that the home is the best for the customer will reduce anxiety.

During the construction phase, expect the customer to visit the site. This cannot be avoided in most cases. The site should be kept as tidy as possible. Supervisors and subtrades should be polite to customers while referring them back to the salesperson for answers to questions. Needless to say, the home should be completed before the target move-in date, if possible. Many customer problems occur because of late delivery of the home. Buyers tend to become more demanding in terms of workmanship.

At occupancy, all pre-occ inspection deficiencies should have been corrected. Continuing deficiencies irritate the buyers, causing them to become more critical.

Second Stage

Builders must make a decision on the level of service to be offered to customers during the warranty period. This decision will depend on the company image the builder wishes to convey and the level of service offered by competition.

Service work should be done quickly and well. Delays or call backs cause customers to become more critical and demanding.

There are always some customers who cannot be satisfied. You must decide how much extra service to offer these customers.

Follow-up has one further goal. That is customer satisfaction. A satisfied customer will provide important referral leads. These are often the best prospects. They are presold before ever entering the sales area.

Keep your name in your customers memory. Write a letter every few months. You may send them a particular advertisement introducing a new house type on a new subdivision. They will convey this data to friends and acquaintances, helping to get more sales.

CONCLUSION

This course has attempted to introduce marketing to builders. Most of the information presented is not new. There are no "tricks" which will insure success. Most of you are already applying many of the principles covered. This course collects these principles into a format which is organized and structured. As you complete the course, you should have the beginning of a marketing plan. The major elements are summarized below.

Market Research - Where your customers are and how you can reach them.

Marketing - The relationship between controllables and uncontrollables.

Uncontrollables can be manipulated somewhat while controllables can be directly controlled.

Pricing - Cost plus pricing, modified by demand and competition.

Product - An understanding of what your product really is. Location is part of product.

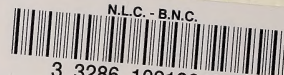
Promotion - How to translate your company image into qualified customers.

Personal Sales - Making the most out of the potential customers you attract.

Follow up - Service levels and keeping the customers you have sold.

This course is just the beginning. Hard work and adherence to a marketing plan will insure profit maximization in any marketplace.

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